

The Nissha logo is rendered in a bold, white, sans-serif font. The letters are closely spaced, with the 'i' and 's' in 'Nissha' being particularly prominent. The background is a blue-tinted photograph of a modern glass-walled building with a grid-like structure.

# NISSHA

## Financial Results for FY2020.12 Q1 Ended March 31, 2020

May 13, 2020

Junya Suzuki

President and CEO

Nissha Co., Ltd.

# Agenda

- Q1 financial result and Q2 forecast
- Progress of Measures to Strengthen Profitability (the Call for Voluntary Retirements)
- COVID-19 impacts and responses
- H2 forecast

# Financial result highlights EMPOWERING YOUR VISION

## FY2020.12 Q1 Result (IFRS)

- Increased both in net sales and operating profit YoY. Impact by COVID-19 was limited. (1USD=JPY108)
- Net sales 39.4 billion yen, Operating profit 1.0 billion yen, Profit before tax 1.0 billion yen, Profit attributable to owners of parent 0.8 billion yen
- Devices: Demand for smartphones and tablets progressed steadily.
- Industrial Materials: Due to COVID-19, operations at the production bases in China temporarily suspended, but resumed by the end of March. The acquisition for Sustainable Packaging Materials was completed.
- Medical Technologies: Demand for medical devices progressed steadily under COVID-19 crisis. Demand for business media for commercial facilities decreased.

## FY2020.12 Forecast (IFRS)

- H1 forecast is revised upward, full year forecast remains the same. (1USD=JPY105, Q2 onwards)
- H1: Net sales 77.0 billion yen, Operating loss 4.0 billion yen, Loss before tax 4.2 billion yen, Loss attributable to owners of parent 5.2 billion yen: Due to COVID-19, some products demand will fall short of the initial projection, but the demand for tablets for Devices is expected to progress more steadily more than initial projection.
- Full year: Net sales 166.0 billion yen, Operating loss 2.0 billion yen, Loss before tax 2.7 billion yen, Loss attributable to owners of parent 3.5 billion yen

## Topics

- Additional investment to Sparsha Pharma USA, Inc. (development of DDS) to make the company an equity method affiliate (April 2020).

# FY2020.12 Q1 Result

Increased both in Net sales and Operation profit YoY (turn positive)  
Steady demand for Devices with cost improvement

(Millions of JPY)

	FY2019.12 Jan.-Mar. (Q1) Results IFRS	FY2020.12 Jan.-Mar. (Q1) Results IFRS	YoY
Net sales	36,422	39,474	+8.4%
Industrial Materials	11,515	11,946	+3.7%
Devices	16,778	19,536	✓ +16.4%
Medical Technologies	6,145	5,700	-7.3%
Information and Communication	1,888	1,947	+3.1%
Others	95	344	+262.1%
Operating profit	-2,458	✓ 1,082	Turn positive
Operating profit margin	-6.7%	2.7%	+9.4pt
Profit before tax	-2,704	1,076	Turn positive
Profit attributable to owners of parent	-2,957	870	Turn positive
Forex	¥ 109/ \$	¥ 108/ \$	

# Industrial Materials

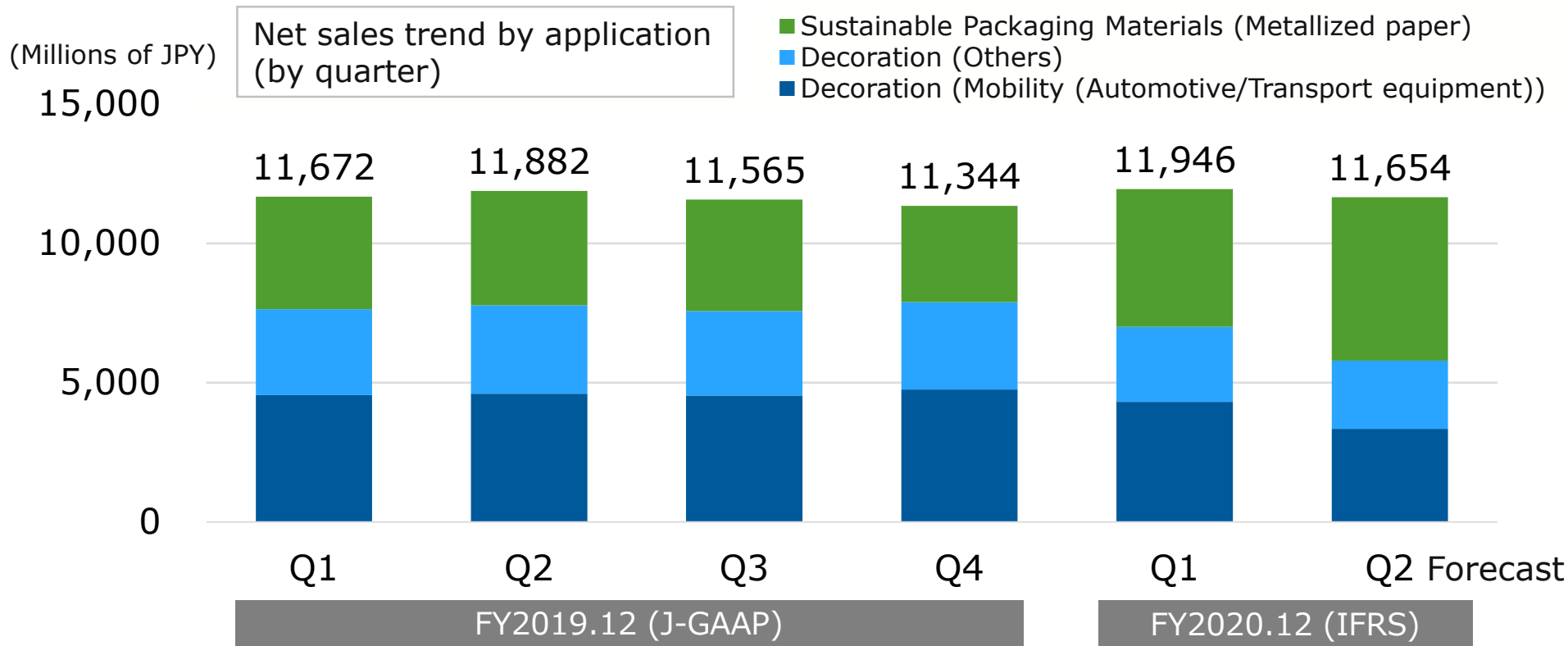
EMPOWERING YOUR VISION

## Q1 Results

- Acquisition for Sustainable Packaging Materials (metallized paper) was completed (Eurofoil).
- Impact of COVID-19 was limited.

## Q2 Forecast

- Due to COVID-19, demand for automotive is anticipated to decline sharply.
- Demand for Sustainable Packaging Materials (metallized paper) is expected to progress steadily.



# Devices

Q1  
Results

- Demand for smartphones and tablets leveled out and progressed steadily.
- Reduced variable labor costs against demand decreasing.

Q2  
Forecast

- Demand for smartphones and tablets is expected to increase YoY.
- Demand for portable game players and industrial equipment (logistics related) is expected to progress steadily as projected.

Net sales trend by application (by quarter)

■ Portable game players, Industrial equipment (logistics related), Mobility (Automotive/Transport equipment), Gas sensors and others  
■ Smartphones, Tablet devices and others

(Millions of JPY)

40,000

30,000

20,000

10,000

0

15,072

18,394

33,257

27,983

Smartphones increased

19,536

19,664

Q1

Q2

Q3

Q4

Q1

Q2 Forecast

FY2019.12 (J-GAAP)

FY2020.12 (IFRS)

# Medical Technologies

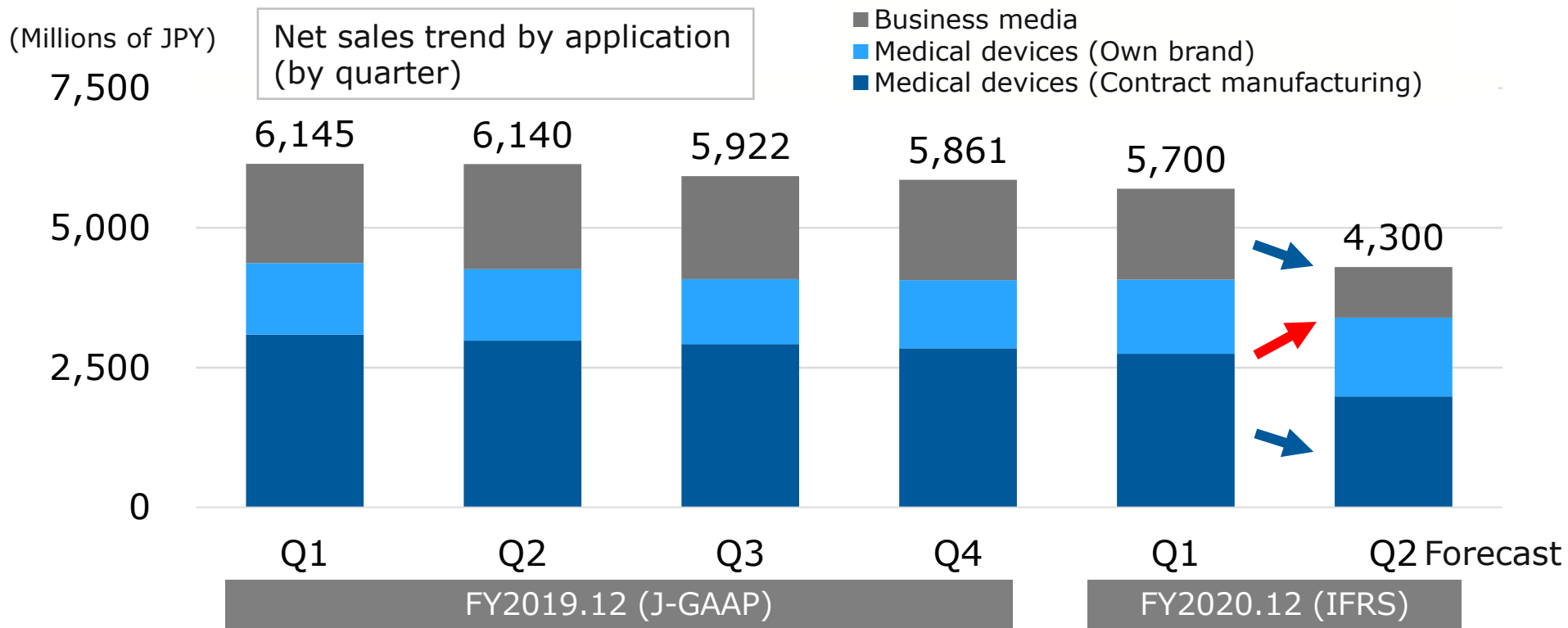
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Q1  
Results

- Demand for Medical devices progressed steadily.
- Demand for business media for commercial facilities was a bit weaker.

Q2  
Forecast

- Due to COVID-19, demand for business media is anticipated to decline sharply.
- Due to COVID-19, demand for medical consumable products (own brand electrodes, etc.) is strong, but contract manufacturing (surgical equipment such as elective surgery) is anticipated to decline temporarily (for priority to COVID-19 at medical institutions) .



# Information and Communication

Q1 Results

- Impact of COVID-19 was limited.

Q2 Forecast

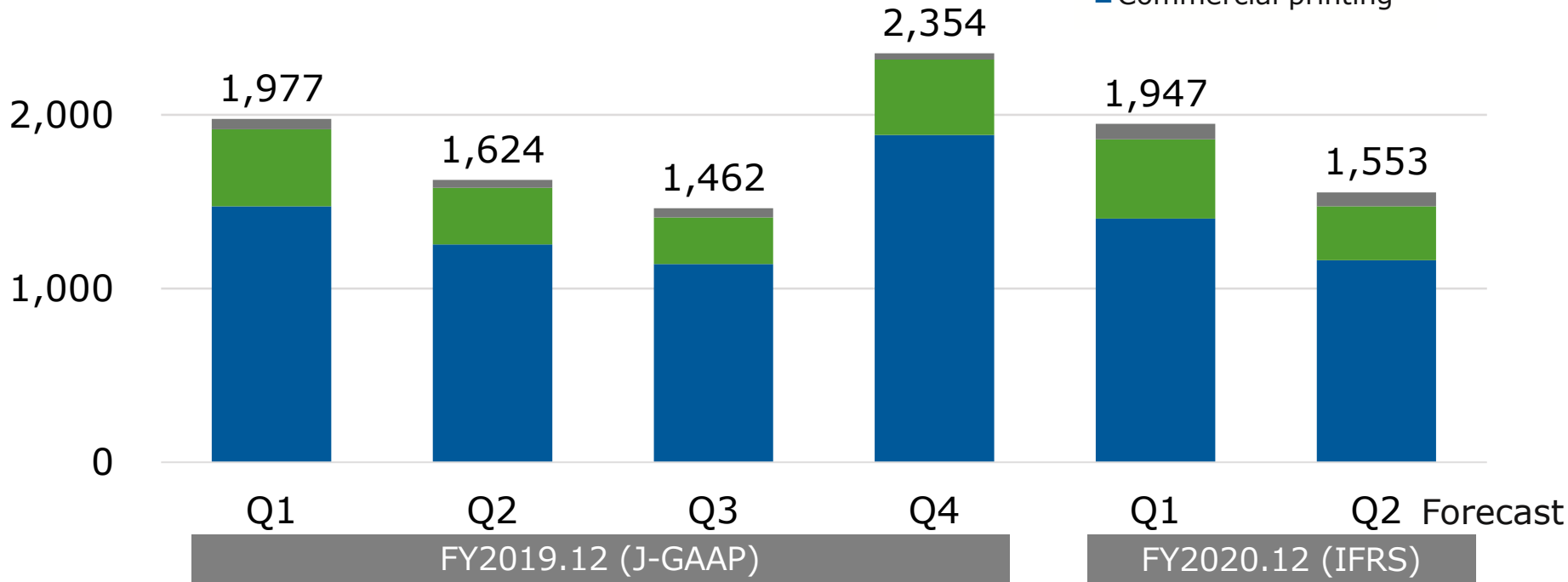
- Due to COVID-19, demand for exhibition catalogs is anticipated to decline.

(Millions of JPY)

3,000

Net sales trend by application (by quarter)

■ Others  
■ Publication printing  
■ Commercial printing





# New Business Development (for DDS)

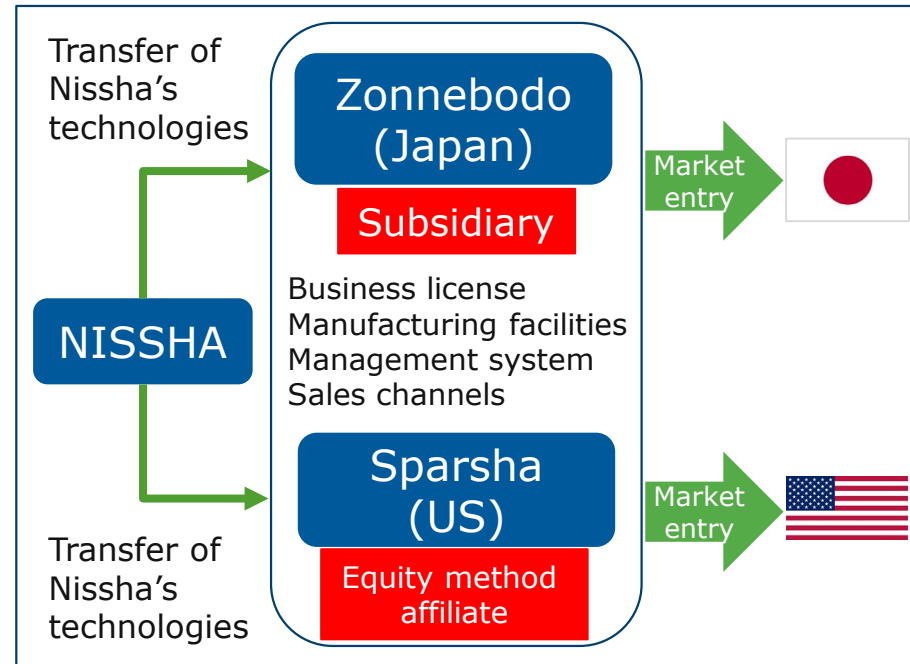
## Additional investment to Sparsha Pharma USA, Inc. (US) for an equity method affiliate

- Additional investment in April as development milestone progresses
- Nissha's ownership ratio becomes 20.2%.
- Aim for 20 billion JPY in sales of DDS by 2030

Sparsha Pharma USA, Inc	
Base	California, USA
Employee	11
Business	Development of ethical drugs and OTC drugs Manufacturing and sales

### Our DDS Strategy

- Market opportunities in changing dosage forms from tablets and injections
- We do drug formulation design and manufacturing
- Target on film type of pharmaceuticals (central nervous system, pain, etc.)
- Transfer of Nissha's technologies to Zonnebodo (acquired in 2019)
- Transfer of Nissha's technologies to Sparsha Pharma USA



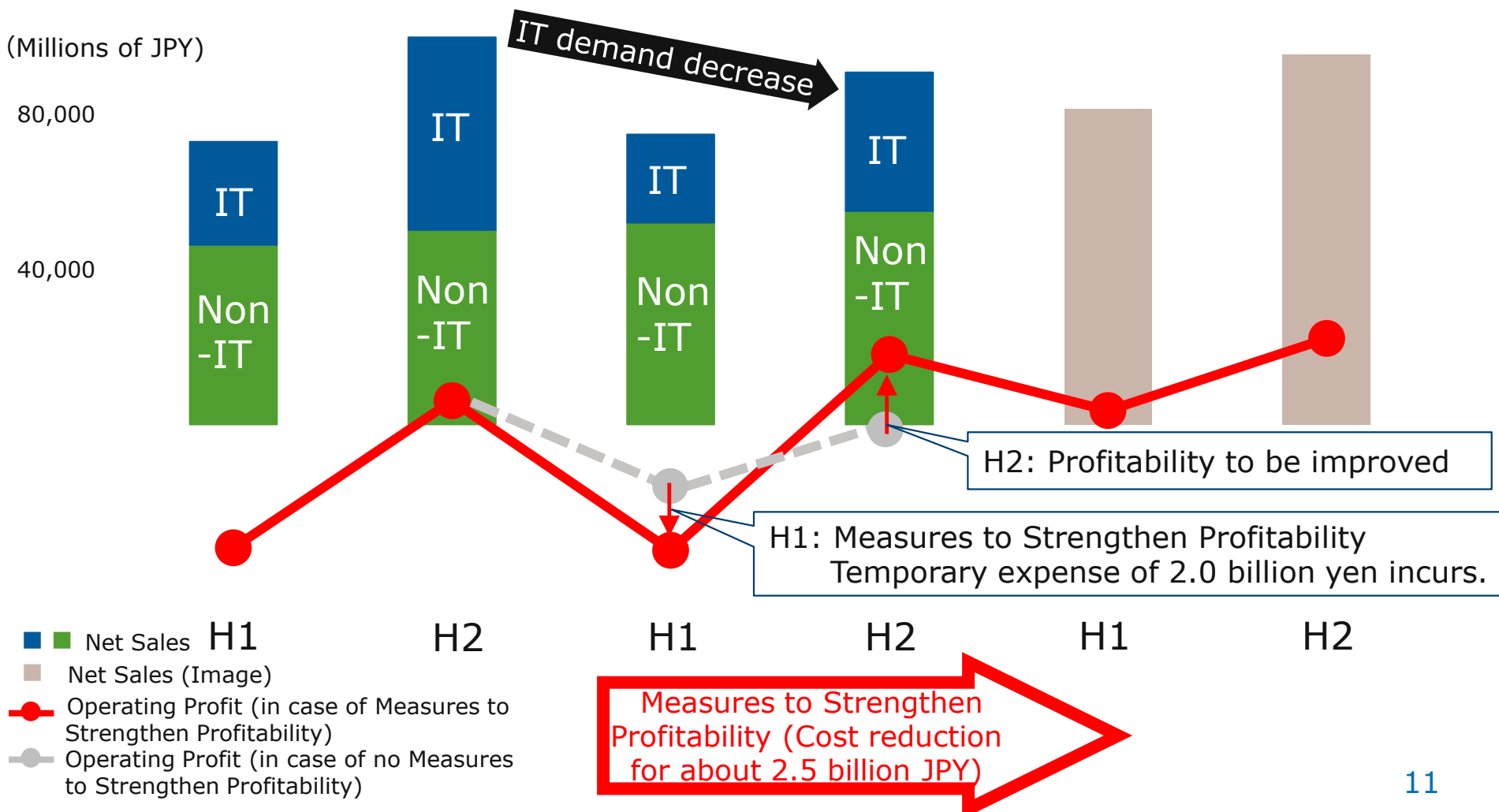
# Progress of Measures to Strengthen Profitability (the Call for Voluntary Retirements)

# Leverage Measures to Strengthen Profitability in 2020 H1, improve profitability in 2020 H2

2019 (Result)  
IT : non-IT=45:55

2020 (Forecast)  
IT : non-IT=35:65

2021 (Image)



# Result of the Call for Voluntary Retirements

- Overview of the call
  - Number of applicants: Approximately 250, mainly full-time employees in the Company and its domestic subsidiaries.
  - Application period: From April 28, 2020 to May 15, 2020
  - Retirement date: June 30, 2020
- Result (Application deadline brought forward to May 11, 2020)
  - Number of applicants: 268
- Other expenses
  - Approximately 2.1 billion JPY to be recorded on financial statement of FY2020.12 Q2.
  - Included in the business forecast

# COVID-19 impacts and responses

## Notifications and instructions to employees

- Prohibition of non-essential movement between bases and business travels in Japan
- Prohibition of overseas business travels

## Promotion of “working from home”

- Working from home in principle except production
- Implementation rate 97% in domestic bases
- Actively utilized at overseas bases

## Responses at production departments

- Thermometry when entering the premises
- Shift work hours by group
- Installation of disinfection process

## Support for group companies (40 overseas locations \*)

- Distributed 40,000 masks to overseas bases
- Sent 50 protective clothing to bases in China

## Grasp the number of infected person (# of employees: 5,812 \*)

- Domestic group companies: 0
- Overseas group companies: 4 (already reinstated)

## Contribution to society

- Start of sale of medical face shields globally

# Contribution to society

## All-hands operation of Nissha Group

- Start of sales for medical face shields
  - Manufacturing and sale through our global network
  - Product name (domestic): MeSHIELD™
  - Product name (in US and Europe): LATITUDE™



- Producing equipment "precision nozzle" for non-woven fabrics production for surgical masks (China)
  - Utilizing the capabilities cultivated in high-precision metal processing and mold production
- Developed filter parts for high-quality face masks with several universities in US

# Operation status of production bases








Business unit	Products	
Devices	Film-based touch sensor	Japan: Active with steady demand
Industrial Materials	Decoration	Japan: Active, but lower demand Asia (China, Malaysia): Temporarily suspended, but already resumed North and Central America: Active, but lower demands Europe: Active, but lower demand
	Metallized paper (labels and packages for beverages and foods)	✓ Essential business Europe: Active North America: Active South America: Active, but low demand
Medical Technologies	Medical devices	✓ Essential business North and Central America: Active Europe: Active
	Business media	North America: Low operation due to demand decrease for commercial facilities Executed layoff (temporary dismissal)





# Demand outlook for H2 (compared to previous forecast)

Our business portfolio diversification absorbs the impact of COVID-19

Business unit	Products	Major market		
Devices	Film-based touch sensor	Smartphones		Demand is anticipated to decline from the initial forecast due to delay in production schedule
		Tablet devices, portable game players, industrial equipment (logistics related )		Steady demand is expected for increasing demand from staying at home
Industrial Materials	Decoration	Automotive		Demand decrease is anticipated to continue
		Home appliances		Demand decline is expected to be limited
	Metallized paper	Labels and packages for beverages and foods		Steady demand is expected to continue as an essential business
Medical Technologies	Medical devices	Medical devices		Steady demand is expected to continue as an essential business
	Business media	For commercial facilities		Demand decline is expected to be limited

# FY2020.12 H1/Full-year Forecast

## H1 revised upward, full-year remains the same

(Millions of JPY)

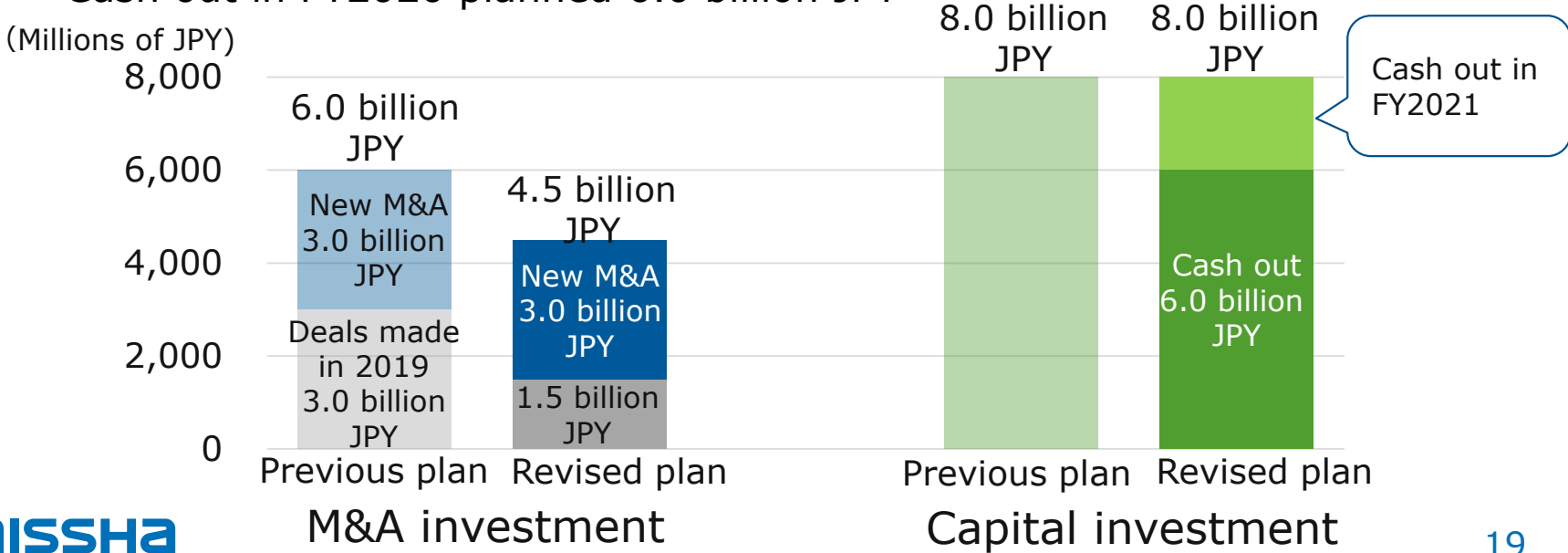
	FY2020.12 H1 (Jan.-Jun.) Previous forecast	FY2020.12 H1 (Jan.-Jun.) Revised forecast	FY2020.12 full year (Jan.-Dec.) Forecast ✓ (unchanged)
Net sales	75,000	77,000	166,000
Industrial Materials	25,500	23,600	-
Devices	32,700	39,200	-
Medical Technologies	12,400	10,000	-
Information and Communication	3,600	3,500	-
Others	800	700	-
Operation profit	-6,000	-4,000	-2,000
Operation profit margin	-8.0%	-5.2%	-1.2%
Industrial Materials	-1,000	-1,300	-
Devices	-4,000	-900	-
Medical Technologies	750	200	-
Information and Communication	-50	-50	-
Others	-1,700	-1,950	-
Profit before tax	-6,300	-4,200	-2,700
Profit attributable to owners of parent	-6,900	-5,200	-3,500
Forex	¥105/\$	¥107/\$	¥105/\$

## Financing

- Loans from banks: Increased borrowing capacity for working capital (arranged in FY2019)
- Reserved corporate bond issue limit (30.0 billion JPY)
- Planning for sales of strategically held shares (approx. 5.0 billion JPY)

## Investment plan

- M&A: Decreased to 4.5 billion JPY
  - Canceled one project (due to unsettled of closing conditions)
- Capital investment: 8.0 billion JPY
  - Cash out in FY2020 planned 6.0 billion JPY



# Reference: Capital investment, Depreciation and amortization, M&A investment, R&D

(Millions of JPY)

	FY2020 Q1 (Jan.-Mar.) Results
Capital investment	1,435
Depreciation and amortization	2,058
M&A investment	1,431
R&D	671

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